

# **EXHIBIT Q**

## **(Part I)**





PETROBRAS

# FUNDAMENTALS IN INTERNAL CONTROLS



## CHAPTER I

FINCORP/CI

OWNER – FINCORP / CI  
CORPORATE: PETROBRAS SYSTEM  
INTERNAL USE ONLY

Slide 1

Fundamentals in Internal Controls  
Chapter I



start previous return next end

Confidential

PBRCG\_01788077



# CHAPTER I – INTRODUCTION AND CONCEPTS



**PETROBRAS**

**TABLE OF CONTENTS**

## **PART I: Sarbanes-Oxley Act**

1. Backgrounds that led to the enactment of Sarbanes-Oxley Act;
2. Regulatory and inspection bodies and their roles;\_
3. Act scope;
4. SOX Requirements;
5. Main focus;
6. Stakeholders.



## **PART II: Company control environment**

1. Company internal control framework;

## **PART III: Control Assessment and Certification**

1. Annual Certification Process Phases;
2. Certification Process Requirements;
3. Certification Scope;
4. Responsibilities and competences of each involved area;
5. Certification Corporate Organization Chart;
6. Certification Process Management.

## **CHAPTER I SUMMARY**





# CHAPTER I – INTRODUCTION AND CONCEPTS

## TABLE OF CONTENTS PART I

### PART I:

### Sarbanes-Oxley Act:

1. Backgrounds that led to the enactment of Sarbanes-Oxley Act;
2. Regulatory and inspection bodies and their roles;
3. Act scope;
4. SOX Requirements;
5. Main focus;
6. Stakeholders.



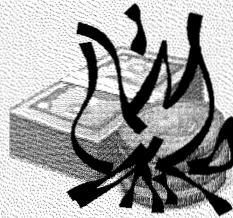
# BACKGROUNDS THAT LED TO THE ENACTMENT OF SARBANES-OXLEY ACT



PETROBRAS

PART I  
SARBANES- OXLEY ACT

Events of financial scandals involving major US companies (ENRON and WORLDCOM), evidencing accounting frauds with the participation of senior managements and financial audit companies (ARTHUR-ANDERSEN)



Confidence

Confirmation of the low level of awareness by officers of the relevant deficiencies concerning company's operations



Existence of accounting errors on published statements



## LEARN MORE

**Enron Corporation** was an US energy company, located in Houston, Texas, which has employed more than 21,000 people being one of world's leading companies in energy distribution (electricity, natural gas) and communications. Its sales results achieved US\$ 101 billion in 2000, just before the financial scandal which has caused its bankruptcy in the end of 2001.

**WorldCom** was the second largest telephone company for long distance calls, second only to AT&T. WorldCom had its growth based on the acquisition of other telecommunication companies, being MCI Communications its most remarkable acquisition. Its head office was located in Ashburn, Virginia. WorldCom has filed for bankruptcy in 07/21/2002 as a result of accounting frauds.



# BACKGROUNDS WHICH HAVE CAUSED THE SARBANES-OXLEY ACT ENACTMENT



DETERDAS

PART I  
SARBANES - OXLEY ACT

It was necessary to:  
Charge the guilty  
ones...

Financial  
losses

Lack of Confidence  
from Investors

... and to re-establish  
the confidence from  
investors ...

MARKET  
REGULATION

Sarbanes-Oxley Act (SOX): enacted in July 2002 by the US Congress and regulated by SEC (Securities and Exchange Commission). The act was created by the Democratic Senator Paul **Sarbanes** (Maryland) and Republican Congressman Michael Garver **Oxley** (Ohio).



# REGULATORY AND INSPECTION BODIES AND THEIR ROLES



PART I  
SARBANES - OXLEY ACT



<http://www.sec.gov/>

## SECURITIES AND EXCHANGE COMMISSION (SEC):

It is the US government body responsible for SOX regulation.

SEC requires the filing of FORM 20-F by foreign companies, which, since the inception of SOX, must also contain information concerning the Certification;

PCAOB<sup>®</sup>

Public Company Accounting Oversight Board

<http://www.pcaobus.org/>

## PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB):

It is a committee established by the act to oversee audit practices. It has the role to inspect companies of the sector.



# ACT SCOPE



## PART I SARBANES- OXLEY ACT

**SCOPE:** SOX comprises all companies which have securities traded in US stock exchanges, whether domestic (with head office in USA) or foreign (with head office out of USA).

In virtue of having ADR's (American Depositary Receipt), i.e., stock traded in NY Stock Exchange, Petrobras and near 30 other companies are required to comply with SOX requirements.

Subsidiaries of US companies in other countries which are considered to be relevant must also be subject to SOX.



• **ADR's (AMERICAN DEPOSITARY RECEIPTS)** are certificates marketable in USA which represent one or more shares of a foreign company. A US depository bank issues the ADRs against the deposit of the underlying shares, kept by a custodian in the country of origin of the shares. In the case of Petrobras shares, in 2007, each ADR started to represent 2 underlying shares.

• Similarly, there are the **BDR's (BRAZILIAN DEPOSITARY RECEIPTS)** which are certificates marketable in Brazil and that represent shares of companies which are not headquartered in our country.

Source: [www.petrobras.com.br/ri](http://www.petrobras.com.br/ri)

vivo





# SOX REQUIREMENTS



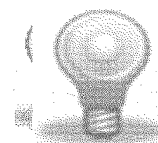
PART I  
SARBANES-OXLEY ACT



**SECTIONS:** The US act is organized in Titles and Sections, which correspond to the articles which comprise Brazilian law's texts.

**REQUIREMENTS:** The law regulates elements for good corporate governance practices and for running business with ethics established as desirable in organization management.

It also makes explicit CEO's and CFO's responsibility for the existence and proper operation of the control framework (articles 302 and 404).



## LEARN MORE

**The CEO** (Chief Executive Officer) represents the highest executive position of an organization, which in Petrobras is represented by the President.

**The CFO** (Chief Financial Officer) is represented by the Financial Officer. In Petrobras, this officer is responsible for the management of company's financial risks and for providing the capital necessary for implementing company's projects.

SOX, in article 906, sets forth that the non-compliance with the law may result in fine or imprisonment for up to 20 years for the CEO and the CFO.





# SOX REQUIREMENTS

PART I  
SARBANES-OXLEY ACT

## Summary of Sox Section 302 requirements: Corporate Responsibility for Financial Reports

### SECTION 302:

This section addresses the CEO's (Chief Executive Officer – Company's President) and CFO's (Chief Financial Officer) responsibility for attesting that they have reviewed the financial report and that the same, to the best of their knowledge:

- Does not have any misrepresentation of a material fact;
- Represents company's actual financial status;
- That CEO and CFO are responsible for planning, establishing and maintaining an internal control framework;
- That CEO and CFO submit a conclusion on the validity of internal controls, disclosing any change in control framework, significant deficiency or fraud, if any.

This obligation results in a **statement** signed by them, which is filed with SEC.



# SOX REQUIREMENTS



PETROBRAS

PART I  
SARBANES-OXLEY ACT

## Summary of Sox Section 404 requirements: Management assessment of internal controls

### SECTION 404:

This section addresses ***Internal control assessment*** by Management. It requires ***Senior Management*** to annually confirm its responsibilities through the establishment and ***Maintenance of procedures and a proper internal control framework*** for the preparation of financial reports. This assessment results in a report named **Management's Report on Internal Controls Related to Financial Statements Preparation and Disclosure Process**, which is attached to FORM 20-F.